



Congresswoman Susan A. Davis

Serving California's 53rd Congressional District

The American Recovery and Reinvestment Act

Small Business Administration

The law makes supplemental appropriations to the Small Business Administration in an effort to mitigate the effects of the economic recession that began in December 2007.

The new law:

- Provides an additional \$630 million for loans and loan guarantees divided into two categories: \$375 million is set aside for reimbursements, loan subsidies and loan modifications related to certain loans, and \$255 million for loan guarantees of \$35,000 or less in a new small business stabilization program (BSP);
- Provides \$24 million for microloan technical assistance, and \$20 million to improve lender oversight;
- Provides an additional \$6 million for direct loans;
- Provides an additional \$15 million for the SBA's surety bond program and increases the size of the maximum bond;
- Eliminates (or reduces as much as possible) fees in the SBA's main business loan programs and for lender oversight;
- Allows the SBA to guarantee certain loans that, in part, refinance existing business loans;
- Authorizes the SBA to guarantee pools of first lien CDC/504 loans sold to third party investors; and
- Makes changes to encourage SBA-licensed Small Business Investment Companies (SBICs) to invest more venture capital in small businesses.

The impact of the reduced fees will be to make SBA guarantees more attractive to small businesses seeking loans, but current economic conditions may offset this increase. Reducing the cost of borrowing will increase the demand for SBA-guaranteed loans compared to what demand would have been otherwise. Nevertheless, the recession is likely to reduce small businesses' demand for loans because spending on expansion or modernization is inherently cyclical. Increasing the SBA's guarantee should increase commercial lenders' willingness to provide loans,

Most of the new programs will sunset February 17, 2011, two years after enactment.

Questions or Help

Contact the SBA: 1-800-U-ASK-SBA (1-800-827-5722) or visit www.sba.gov

Business Information Assistants are available to speak directly with you between the hours of 9:00 AM and 5:00 PM (eastern time).